

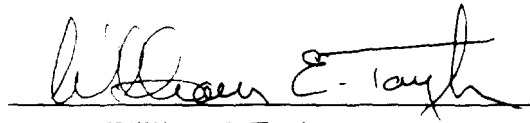
the current *1993-96 Access Tariff Order*, but for these particular errors it is not the case that "an uncorrected error in one year's PCI causes an error in next year's PCI."<sup>13</sup> Thus the calculations in Subsection B of the *1993-96 Access Tariff Order* are unnecessary to reset the 1997 PCIs, SBIs and maximum CCL to make them consistent with "what would have been in place had they been calculated consistent with the Commissions rules and decisions."

## V. CONCLUSIONS

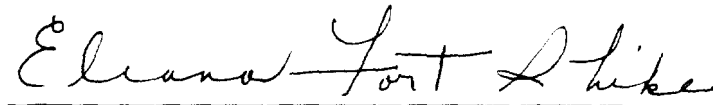
23. Requiring Bell Atlantic to overcompensate interstate customers for overcharges in one basket without offsetting against that compensation undercharges in other baskets would expose Bell Atlantic to a level of sharing beyond that set out in the price cap plan. Changing price cap rules in mid-stream would expose all price-cap regulated firms to additional regulatory risk which would reduce the improvement in incentives that price cap regulation was intended to produce. The Commission should confine the refund from Bell Atlantic's allocation of the earnings sharing adjustment to the overcharges that interstate customers actually paid (including interest), netting out the overcharges in the common line basket against the undercharges in the traffic sensitive, special access and interexchange baskets.

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<sup>13</sup> *1993-96 Access Tariff Order* at ¶ 97, footnote 220.

  
William E. Taylor

Subscribed and sworn to before me this  
16<sup>th</sup> day of May, 1997.

  
Notary Public

My commission expires \_\_\_\_\_

ELEANOR FORT SHIKE  
Notary Public, State of New York  
No 31-8974420  
Qualified in New York County  
Commission Expires March 30, 1998

# **EXHIBIT 2**

BELL ATLANTIC TRANSMITTAL NO. 777  
RECALCULATION OF SHARING DISTRIBUTION

APPENDIX C  
PAGE 1 OF 3

	SOURCE	COMMON LINE	TRAFFIC SENSITIVE	TRUNKING	INTER- EXCHANGE	TOTAL
		(A)	(B)	(C)	(D)	(B) - (A + B + C + D)
1. 1993 Annual Filing R	Trans. 777, TRP, PCI - 1	1,345,342,722	516,538,550	921,355,536	137,567,909	2,920,804,717
2. Distribution of Revenues	Line 1 Current Col. A / Line 1 Col. B	46.0607%	17.6848%	31.3446%	4.7099%	100.0000%
3. 1993 Sharing True-up	Line 2 Current Col. * WP 8-57 Line 2	(1,889,409)	(725,431)	(1,293,959)	(193,201)	(4,102,000)
4. 1994 Ask-Back	Line 2 Current Col. * WP 8-57 Line 3	(8,031,602)	(3,083,699)	(5,500,428)	(821,271)	(17,437,000)
5. 1994 Sharing	Line 2 Current Col. * WP 8-57 Line 1	(12,678,213)	(12,546,660)	(22,179,617)	(3,341,508)	(70,946,000)
6. 1994 Total Sharing - Calculated	Sum Line 3..Line 5	(42,599,226)	(16,355,790)	(29,174,003)	(4,355,980)	(92,485,000)
7. 1994 Total Sharing - Filed	Trans. 777, WP 8-57-4, Line 6	(20,920,112)	(23,463,608)	(41,852,298)	(6,248,982)	(92,485,000)
8. Difference	Line 6 - Line 7	(21,679,114)	7,107,818	12,678,295	1,891,002	0

1995 Annual Access Tariff  
Petition of AT&T Corp.  
(filed May 30, 1995)

BELL ATLANTIC RECALCULATION OF SHARING DISTRIBUTION

	SOURCE	COMMON LINE	TRAFFIC SENSITIVE	TRUNKING	INTER- EXCHANGE	TOTAL
		(A)	(B)	(C)	(D)	(E)
1996 Annual Filing R Distribution of Revenues	Tran. 867, TRP, PCI-1 Line 1/Line 1 Col. E.	1,284,822,584 45.816%	482,983,648 17.223%	924,395,618 32.963%	112,123,129 3.998%	2,804,324,959
1995 Sharing - Dist. Calc.	Line 2*Total Sharing Col E	(13,541,762)	(5,090,547)	(9,742,937)	(1,181,754)	(29,557,000)
1995 Sharing - Filed	T867, WP 8-53-4, Line 5+6	(5,540,143)	(7,628,889)	(14,601,140)	(1,786,817)	(29,558,989)
Difference	Line 6 - Line 7	(8,001,619)	2,538,342	4,858,203	605,063	(11)

AT&T PACIFIC BELL RECALCULATION OF SHARING DISTRIBUTION

	SOURCE	COMMON LINE	TRAFFIC SENSITIVE	TRUNKING	INTER- EXCHANGE	TOTAL
		(A)	(B)	(C)	(D)	(E)
1996 Annual Filing R Distribution of Revenues	Tran. 1864, TRP, PCI-1 Line 1/Line 1 Col. E.	888,523,273 53.796%	304,871,174 18.459%	458,103,178 27.736%	142,620 0.009%	1,651,640,243
1995 Sharing - Dist. Calc.	Line 2*Total Sharing Col E	(17,855,594)	(6,126,633)	(9,205,954)	(2,866)	(33,191,046)
1995 Sharing - Filed	T1864, WPIIC-11	(7,278,386)	(10,781,259)	(15,067,042)	(64,359)	(33,191,046)
Difference	Line 6 - Line 7	(10,577,208)	4,654,626	5,861,088	61,493	-

1996 Annual Access Tariff  
Petition of AT&T Corp.  
(filed Apr. 29, 1996).

II. ATLANTIC TRANSMITTAL 644

CALCULATION OF SHARING DISTRIBUTION

		COMMON LINE	TRAFFIC SENSITIVE	TRUNKING	INTER EXCHANGE	TOTAL
SOURCE		(A)	(B)	(C)	(D)	E = (A+B+C+D)
1993 INTERSTATE REVENUES	Note 1	1,336,208,040	485,937,801	853,077,223	142,438,351	2,817,661,415
DISTRIBUTION FACTOR	Ln1 Col/Ln1 ColE	0.474226	0.172461	0.302761	0.050552	
1993 SHARING DISTRIBUTION	Ln1*Ln2	(28,404,235)	(10,329,747)	(18,134,157)	(3,027,861)	(59,896,000)
REVENUES USED BY BELL ATLANTIC	WP 8-53-4	478,858,233	485,937,042	853,077,223	142,238,351	1,960,110,849
BELL ATLANTIC DISTRIBUTION FACTOR	WP 8-53-4	0.2443	0.2479	0.4352	0.0726	
BELL ATLANTIC SHARING DISTRIBUTION	WP 8-53-4	(14,632,689)	(14,848,999)	(26,067,869)	(4,346,442)	(59,895,999)
DIFFERENCE	Ln3-Ln6	(13,771,546)	4,519,252	7,933,712	1,318,581	(1)

Note 1: Line 1, Col A = 1993 base period R(t-1) Revenues from Bell Atlantic Transmittal 644, TRP PC1-1 Chart.  
Note 2: Line 3, Col E = 1994 Total Sharing as reported by Bell Atlantic Transmittal 644, Workpaper 8-53-1.

1994 Annual Access Tariff  
Petition of AT&T Corp.  
(filed Apr. 26, 1994)

sharing amount properly among that carrier's service baskets, by omitting end user line charges from the Common Line basket's revenues, despite the Commission's finding in the 1992 Tariff Order that sharing should be allocated in proportion to basket revenues.<sup>57</sup> The effect of this misallocation was to understate the sharing amount (and, hence, overstate Bell Atlantic's rates) in the Common Line basket by almost \$1.9 million.<sup>58</sup>

The June 23 Order (¶ 42) agreed with AT&T that this procedure raised questions concerning the validity of Bell Atlantic's price cap adjustments, and required Bell Atlantic to justify its sharing allocation methodology.

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<sup>57</sup> 1992 Tariff Order, 7 FCC Rcd. at 4732-33.

<sup>58</sup> This allocation methodology also correspondingly overstated the sharing amounts, and understated the access rates, for Bell Atlantic's other baskets. The sharing amounts as filed by Bell Atlantic, and as corrected to reflect the inclusion of end user revenues in the allocation process, are as follows:

<u>Basket</u>	<u>As filed</u>		<u>Corrected</u>	
	<u>Amount</u> <u>(\$ mil)</u>	<u>Percent</u>	<u>Amount</u> <u>(\$ mil)</u>	<u>Percent</u>
Common Line	\$1.749	21.0	\$3.606	43.4
Traffic Sensitive	\$4.299	51.7	\$3.083	37.1
Special Access	\$1.861	22.0	\$1.118	14.3
Interexchange	\$ .600	7.2	\$ .432	5.2

1993 Annual Access Tariff  
AT&T Opposition to Direc  
Cases  
(Filed Aug. 24, 1993)

# **EXHIBIT 3**



**IMPACT OF PARTIAL CORRECTION BY REDISTRIBUTING SHARING TO COMMON LINE BASKET ONLY**  
(Dollars)

LN	ITEM	SOURCE	(A) Amount Shared in 1993 Access Tariff	(B) Amount Shared in 1994 Access Tariff	(C) Amount Shared in 1995 Access Tariff	(D) Amount Shared in 1996 Access Tariff
1	Total 50% Tariff Sharing	Total Amount Shared (based on 50% of prior years' earnings above 12.25%) Note 1	(2,025,000)	(60,668,000)	(92,485,000)	(74,910)
2	Impact of Sharing Redistribution on Common Line	Amended 1997 TRP, Ln 9, WP S-1, S-2, S-3 and S-4	0	(13,951,097)	(21,679,114)	(20,267)
3	Adjusted Sharing with Redistribution to CL Basket Only	Ln 1 + Ln 2	(2,025,000)	(74,619,097)	(114,164,114)	(95,177)
4	Percent Increase in Sharing with Redistrib. to CL Basket Only	(Ln 3 - Ln 1) / Ln 1	0.00%	23.00%	23.44%	27.06%
5	Effective Sharing on Earnings above 12.25%	Ln 3 / (Ln 1 * 2), Note 2	50.00%	61.50%	61.72%	63.53%

**Note 1**

Column A from BA Transmittal No. 568-A, WP 8-52-D  
Column B from BA Transmittal No. 644, WP 8-53-4  
Column C from BA Transmittal No. 777, WP 8-57-4  
Column D from BA Transmittal No. 867, WP 8-53-4

**Note 2**

Line 5 amounts reflect the proportion of earnings above 12.25% that would effectively be shared if sharing redistribution is applied to Common Line Basket only.